

Industrial Insurance Past and Present

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An Article published in the *American Exchange and Review*,
Philadelphia, Pa., November, 1911

Mr. Dryden's last contribution to the literature
of Industrial Insurance

NEWARK, NEW JERSEY
The Prudential Insurance Company of America
MCMXII

INDUSTRIAL INSURANCE PAST AND PRESENT

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THE early history of Industrial insurance, as of all other social institutions, is a matter of some uncertainty and doubt. Previous to the transaction of Industrial insurance by large incorporated companies, the earlier Friendly Societies and Burial Clubs of England, following the more ancient example of the Gilds, had provided for the payment of burial expenses in return for periodical payments, in many instances collected from the houses of the insured. Societies of this character operated, almost without exception, upon erroneous principles of mortality and interest, with the result that the large majority of such institutions were unable in the long run to meet their obligations, to the serious disappointment of the public. The earliest *company* which seems to have undertaken the transaction of life insurance on the weekly-premium-payment plan was the Industrial and General, of London, established in 1852, which from the outset appears to have been fairly successful. Following the Industrial and General, the British Industry, also of London, commenced Industrial business in the same year, followed by The Age, of London, originally founded in 1852, but which seems not to have commenced Industrial insurance until about 1853. As illustrating the difficulties confronting the transaction of an Industrial business at that time, the following quotation from the Third Annual Report of The Age Insurance Company is of interest:

"In the early part of the year large expectations were also formed with respect to the industrial branch of assurance, a business which is unquestionably susceptible of cultivation to an infinite degree, if the directors were disposed to permit losses to run parallel with

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successes; but the experience of a few months proved it to be absolutely necessary to confine that department within very narrow limits."

THE PRUDENTIAL OF LONDON

The business of the Industrial and General was taken over, in 1854, by the Prudential Assurance Company of London, founded in 1848. This company had its attention directed to a Parliamentary report on assurance associations, published the year before and in which the suggestion had been made that the benefits of life insurance should be extended to the general population, particularly to the wage-earning or artisan class. By inference at least, the subject had also been considered by Parliament, in a report published in 1850, on the Savings of the Middle and Working Classes, which had emphasized the insecurity of existing thrift institutions and the large losses incurred by the poor as the result of imposition, miscalculation and fraud. Aside from these considerations, the whole question of wage-earners' insurance had been before the English public as the result of several extensive investigations into the practices of Friendly Societies and Burial Clubs, published by order of Parliament between 1847 and 1854. Throughout these inquiries it had been made evident that the existing thrift institutions were largely of a nature to induce the poor or wage-earning element of the nation to contribute its savings to funds or societies making large promises without being in a position to guarantee their ultimate fulfilment.

THE PRUDENTIAL OF AMERICA

Out of considerations like these had come the demand for a more safe and suitable form of insurance applicable to the needs of wage-earners and others unable to pay premiums otherwise than at weekly intervals. The credit for having first realized the truly tremendous social and economic importance of this idea belongs by

right to the Prudential Assurance Company of London, which commenced the Industrial business, properly so-called, in 1854, followed in the United States, in 1875, by the establishment of The Prudential Insurance Company of America.

INDUSTRIAL INSURANCE DEFINED

Industrial Insurance has been appropriately defined as different from Ordinary level premium life insurance in the following four essential points: "First, the premiums are payable weekly, instead of being payable quarterly, semi-annually or annually; second, the premiums are collected from the house of the insured by an agent of the company; third, the amounts of insurance are adjusted to the unit premium, instead of the premium being adjusted to the amount—that is, in Industrial insurance certain amounts of insurance can be purchased for a premium of three or five cents per week or multiples thereof, while in Ordinary insurance the amount is in round numbers and usually in multiples of one thousand dollars; fourth, every member of the family can be insured for a small premium, while in Ordinary insurance, as a rule, only the head of the family is insured for a proportionately large amount."

MISUSE OF THE TERM

In the sense of this definition, Industrial insurance has been within the common understanding of English-speaking nations throughout the world for many years. Of late, however, the ever-increasing agitation for social reform, chiefly with regard to adequate compensation for industrial accidents and industrial diseases, has led to the adoption of the term "Industrial Insurance" for measures of social relief essentially different from the objects and aims of Industrial insurance as previously defined. The improvement of labor conditions through insurance, as a matter of governmental policy, may be said to have had its origin in the German com-

pulsory insurance system, first established in 1884 and subsequently enlarged and modified until it to-day comprehends practically the entire wage-earning population of the German Empire. What in Germany is defined as "Social Insurance" is not, however, insurance in the strict sense of the term, as it is conducted by private enterprise throughout the world.

GOVERNMENT "INSURANCE"

The difficulty arises out of the fact that either by means of a government *guarantee*, or through the taxing power, the same economic results may, of course, be achieved as through the voluntary contributions on the part of a number of persons associated for a common purpose to secure the payment of a given sum in the event of the occurrence of a given contingency. The risk assumed in true insurance is the exact equivalent of the payments required aside from the necessary expenses of management and a reasonable return on the invested capital when the business is conducted upon the proprietary plan. In so-called government or compulsory insurance no contributions whatever *may* be required of the beneficiaries, and, for illustration, in the case of the German system of compulsory accident insurance, the entire burden of cost and expense is borne by the employers, or perhaps more properly, by the industry.

WORKMEN'S COMPENSATION LAW

In the proposed English system the burden will be shared in different proportions by the employers, the employees, and the government. In the United States the universally unsatisfactory state of employers' liability laws has resulted in an ever-increasing demand for an entire abrogation of the common law doctrine of the assumption of trade risk and its replacement by a comprehensive statute of workmen's compensation more or less on the basis of the English law of 1906. The various state commissions which have considered the matter have, therefore, frequently been referred to

as having under consideration a new system of "Industrial" insurance, since the term "Social Insurance," although occasionally employed, is still quite unfamiliar to the American people. It is self-evident, however, that Industrial insurance, as generally understood by wage-earners and others throughout the United States since the introduction of this form of insurance by The Prudential in 1875, is by right of priority entitled to its exclusive use, and that the term social insurance, or workmen's insurance, is more appropriate for state legislation aiming at a *guarantee* of definite benefits or indemnities in the event of accident and illness more or less the result of industrial pursuits.

RELIEF AND BENEFIT ASSOCIATIONS

The first American writer to use the term "Industrial Insurance" in the broadest possible sense was Prof. Charles Richmond Henderson, of the University of Chicago, who published a work under the title of "Industrial Insurance" in 1909, including in this term local relief societies, the benefit features of trades unions, insurance by fraternal societies, employers' liability law, pension schemes, whether private or municipal, and many other methods and systems aiming at the amelioration of labor conditions more or less dependent upon the liability to accident, sickness, or premature death. It must be considered rather unfortunate that the term "Industrial Insurance" should in this manner have been perverted from its proper use and been made to comprehend practically the entire field of methods and means whereby compensation, relief, or indemnity can be obtained on the part of wage-earners and others more or less exposed to accidents and illness in the following of industrial pursuits.

SO-CALLED STATE INDUSTRIAL INSURANCE

The term "Industrial Insurance," in a broader sense, was also adopted by the Industrial Insurance Com-

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mittee of the State of Wisconsin, which, however, limited its consideration entirely to what is better known and understood as workmen's compensation legislation, in place of employers' liability law. The present discussion only incidentally refers to the modern movement for reform and change in labor conditions, dealing chiefly with Industrial insurance, as defined at the outset and as limited to the payment of a sum certain in the event of death, in return for periodical premium payments on a weekly basis, and collected from the houses of the insured.

SUBSTITUTES FOR INDUSTRIAL INSURANCE

Numerous substitutes have been suggested for Industrial Insurance, but none has been proven either feasible or practical in actual experience. Among the more interesting is The Family Mutual Health Insurance Company, proposed by the late Mr. Edward Atkinson in 1901, which provided for the elimination of collectors and other material reductions in expense to secure medical and surgical service, hospital and dispensary treatment, and a sanitary inspection service. The suggestion of Mr. Atkinson was never carried into practical effect.

THE MASSACHUSETTS SAVINGS BANK INSURANCE PLAN

In 1906, Mr. Louis D. Brandeis, also of Boston, proposed a system of wage-earners' life insurance, which led to the adoption by the State of Massachusetts of the savings bank insurance department for the issuance of life insurance and annuities through savings banks, and which came into existence in 1907. The chief feature of this system is the elimination of canvassers and collectors, in place of which the co-operation of a number of large industrial establishments has been secured. The results have been distinctly disappointing, and on November 1, 1910, only 3,318 policies were in force, for the sum of \$1,367,363.†

†There were also 61 deferred annuities in force for an aggregate of \$9,365.

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GROUP INSURANCE

In 1909 a bill was introduced in the Massachusetts Legislature to permit so-called group insurance, under which a reduction in premium charges could be secured, provided a sufficient number of persons insured at one time and agreed to the collection of their premium through the employer. The plan is theoretically attractive, but in practice no material results have been achieved. Similar bills have been introduced in New York, New Jersey, and several other states, but only in Maine, Minnesota and New Jersey has favorable consideration been secured.

OVER-THE-COUNTER INSURANCE

For the same purpose, of eliminating the expense of soliciting and collecting, the Legislature of Massachusetts, in 1907, authorized so-called "Over-the-Counter" insurance, which has never in practice assumed material importance, but in the state of New York a company was organized for the purpose of transacting life insurance entirely through the mails, which has met with a fair amount of success. Whether the large necessary advertising expense to keep the plans and purposes of the company before the public will not in the long run prove as expensive as an efficient agency organization is still an open question.

DIRECT PAYMENT OF INDUSTRIAL PREMIUMS

The latest innovation is the enactment by several states, including New Jersey, Pennsylvania and Rhode Island, of laws permitting an Industrial company to return to policyholders who have made premium payments for a period of at least one year, directly to the company at its home or district offices, a percentage of the premium which the company would have paid for the weekly collection of such premium.

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THE NECESSITY FOR AGENTS

The chief object, of course, in the suggested substitutes or modifications of the methods of Industrial companies is to eliminate the agent, who performs jointly the duty of soliciting for new insurance and of collecting the premiums due weekly under existing policies. Considering that the British government, as far back as 1864, offered to the public a favorable contract, provided the premiums were paid at the Postoffice at monthly intervals, it is suggestive that after more than forty years the number of life policies issued through the British Post-office during the year ending December 31, 1910, should have been only 478. It is also decidedly suggestive that with the advantage of a large amount of free advertising and the hearty co-operation of philanthropic individuals, employers and institutions, the Massachusetts Savings Bank Insurance plan should thus far have been, for practical purposes, a failure. It may be said here, also, that only a fair degree of success has been achieved by the government annuities branch of Canada, established in 1908, for, even with the powerful aid of the postal service and a rightful claim upon the Canadian Civil Service, the annuities branch at the end of February, 1911, had only 1,630 contracts in force. It would, therefore, seem quite conclusive that the Industrial agent is an inherent necessity in the actual development of the business, as well as in maintaining in force the policies secured at considerable expense. It is not necessary here to enlarge upon the extreme convenience of this system of insurance, in which the premium payments are adjusted to the income of the insured, or, in other words, in which the premiums are payable weekly, primarily and chiefly because wages or small salaries also are, as a rule, receivable on the weekly plan.

INDUSTRIAL INSURANCE IN THE UNITED STATES

It is now thirty-six years since Industrial insurance was introduced into the United States, and out of a most

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unpromising beginning a business of truly colossal magnitude has been developed. On December 31, 1910, there were some twenty-three companies in the United States transacting this form of insurance, including, as a rule, a considerable amount of Ordinary business, which in some cases has attained to much larger proportions than the business results secured by exclusively Ordinary companies in operation for many years. In the following table the business results are summarized for the year ended December 31, 1910, the required distinction being made as to the Industrial and Ordinary business, and as to the number of policies and the amount of insurance.

INDUSTRIAL AND ORDINARY INSURANCE IN FORCE WITH INDUSTRIAL COMPANIES

DECEMBER 31, 1910

COMPANIES	INDUSTRIAL INSURANCE		ORDINARY INSURANCE	
	NO. OF POLICIES	AMOUNT	NO. OF POLICIES	AMOUNT
American National (Texas) . .	90,866	\$12,481,273	5,163	\$9,528,623
Baltimore Life.	131,499	12,947,630	4,456	3,473,841
Boston Mutual Life.	48,926	9,212,427	7,442	6,668,685
Colonial Life.	157,603	18,853,631	6,344	6,105,100
Columbian National	2,894	430,194	11,686	37,220,289
Commonwealth Life (Ky.) . .	33,933	4,999,939	3,480	6,040,432
Equitable Life Ins. Co. of D.C.	38,606	4,222,945	607	466,320
Eureka Life.	45,572	3,843,871	0	0
Germania	1,994	259,906	(*)	(*)
Guaranty Life (Iowa)	10,174	1,715,112	2,446	2,094,115
Home Life (Delaware)	17,510	1,724,519	3,879	4,705,420
Immediate Benefit Life.	40,309	3,911,931	128	75,557
Independent Life.	18,619	1,462,738	1,239	1,761,700
John Hancock Mutual Life. . .	1,941,106	323,010,618	149,024	243,305,747
Life Ins. Co. of Virginia.	528,165	60,818,178	14,128	11,622,196
Metropolitan Life.	10,465,074	1,512,599,124	822,980	703,252,264
Mutual of Baltimore.	62,177	9,138,603	0	0
North State Life.	6,900	1,037,469	2,384	2,506,492
Ohio Burial.	13,646	1,193,647	0	0
Peoria Life.	11,449	2,647,750	2,414	4,050,500
Prudential.	8,957,170	1,143,352,017	611,468	707,906,332
Public Savings.	18,820	3,879,698	301	237,400
Rome.	28,954	3,650,873	0	0
St. Louis National Life.	153	25,063	1,263	1,812,218
West Coast Life.	28,813	4,126,757	3,062	6,735,190
Western and Southern Life. . .	361,926	40,826,735	9,180	8,418,293
Total.	23,062,858	\$3,182,372,648	1,663,074	\$1,767,986,714

(*) Not included; no longer transacts industrial business, but a little Industrial insurance is still in force.

INDUSTRIAL—ORDINARY INSURANCE

According to this table, the aggregate number of Industrial and Ordinary policies in force with Industrial companies was 24,725,932, or 82.5% of the total number of policies in force in the United States with all legal reserve life insurance companies on December 31, 1910. By amounts of insurance, however, the proportion of business in force with Industrial companies only is necessarily much less on account of the fact that the average Industrial policy is only \$138 and the Ordinary policy with Industrial companies \$1,048, against an average of \$2,135 for companies transacting an exclusively Ordinary business. Considering also that the Industrial companies have made special efforts to write Ordinary insurance only during the last twenty years, and that the exclusively Ordinary companies have in some cases been in active operation for more than half a century, it is, to say the least, a most significant evidence of their vitality and aggressiveness that during so comparatively short a period the Industrial companies should have secured 13.4% of the total Ordinary insurance in force with level premium life insurance companies on December 31, 1910. This truly magnificent result is largely attributable to the educational value of Industrial insurance—to its efficacy as a method of teaching thrift, not only in one but in many directions. It is not necessary to enlarge upon this aspect of Industrial insurance, which, however, from a social and economic point of view is one of considerable importance. It may be said, however, in this connection that most of the Ordinary insurance written by Industrial insurance companies is secured among an element of the population probably not reached by exclusively Ordinary companies, and the conclusion follows that were it not for the active and energetic efforts of Industrial agents, a large part of the vast amount of Ordinary insurance in force with Industrial companies would probably not be in existence at all.

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COMPARATIVE PROGRESS OF THRIFT INSTITUTIONS

A brief comparison may not be out of place here as to the relative progress of provident institutions, chiefly, of course, savings banks and building and loan associations, for which the statistical data are available. Limiting the comparison to the last ten years, it appears that the number of depositors with savings banks has increased 49.7% and the amounts on deposit 70.5%, while the membership of building and loan associations has increased only from 1,512,685 in 1900, to 2,169,893 in 1910, or 43.4%. During the same time (1900 to 1910), the number of Industrial insurance policies has increased 105.6% and the amount of insurance in force 116.6%, while the number of Ordinary policies in force with Industrial companies has increased 359.3% and the amount of such insurance in force 325.0%. The progress of Industrial insurance has, therefore, by far exceeded the corresponding progress of savings banks, while the building and loan associations because of their more limited function have apparently reached a point of slow growth, with no present indication of a more general development in the future. To emphasize still further the remarkable progress of Industrial insurance, it may be pointed out that, while the increase in the number of Industrial policies during the decade ending with 1910 was 11,458,374, the increase in the amount of insurance in force was \$1,667,058,970, exclusive of the Canadian business of American Industrial companies.

PAID-UP INSURANCE

When Industrial insurance was first introduced no paid-up or cash surrender values were considered advisable, but in course of time these necessary features were incorporated into the Industrial policy contract and the privilege was made retroactive, at least in the case of all the large companies. On December 31, 1910, six companies, having 97.6% of the total industrial insurance in force in the United States, had 1,228,327

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paid-up policies on their books, insuring \$32,421,276. In this respect, therefore, as in all others, the Industrial policy contract of today is as liberal and as free from technicalities as the corresponding policy contract issued on the Ordinary plan.

WORLD-WIDE DEVELOPMENT OF INDUSTRIAL INSURANCE

What is true of Industrial insurance in the United States is more or less true also of Industrial insurance in most of the other civilized countries of the world. The returns are not available for all of the different countries in which Industrial insurance is transacted, but in the following table, data have been brought together for the year 1909 and they are conclusive proof of the universal demand for this form of family protection.

INDUSTRIAL INSURANCE IN FORCE IN THE WORLD DECEMBER 31, 1909

COUNTRIES	NO. OF INDUSTRIAL POLICIES	AMT. OF INDUSTRIAL INSURANCE	PER CAPITA
United States.....	21,192,322*	\$2,926,287,788*	\$32.00
Canada.....	572,657**	67,932,466**	9.70
United Kingdom.....	29,149,924	1,424,382,285	32.63
Germany.....	7,571,760	362,009,595	5.67
Scandinavia (partly est.).....	500,000	59,000,000	5.74
Switzerland (partly est.).....	75,000	12,622,500	3.80
Australia and New Zealand.....	450,000	48,190,000	9.64
Austria-Hungary (partly est.).....	600,000	27,000,000	0.59
South Africa (partly est.).....	50,000	2,000,000	4.00
Other Countries (est.).....	500,000	20,000,000	..
Total.....	60,656,663	\$4,949,424,634	

* Exclusive of Canadian business of Prudential and Metropolitan.

** Including Canadian business of Prudential and Metropolitan.

RELATIVE DEVELOPMENT PER CAPITA

The foregoing table exhibits not only the numbers and amounts of Industrial insurance policies in force, but also the per capita of Industrial insurance in the more important countries of the world. While by number of policies the largest progress has been made in England, where the business was established as early as 1854, the largest progress in amount of insurance has been secured

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in the United States, with a correspondingly high per capita, which, however, is actually much greater when allowance is made for the large proportion of agricultural and other population of this country, which, under present conditions, is largely outside of the sphere of Industrial insurance.

THE BUSINESS POLICY OF INDUSTRIAL COMPANIES

When Industrial insurance was first established the available mortality tables were of somewhat doubtful value in the calculation of premium rates, but the prevailing high death rates of the period suggested extreme caution, and higher charges than subsequent experience proved necessary. In the course of time the rates were lowered—or, more accurately, the amounts of insurance were increased for the unit premium, and such changes were made retroactive, so that the old policyholders enjoyed equal benefits with the new. As a result of this policy of liberality and sound business, vast sums have been paid to Industrial policyholders in the form of voluntary financial concessions, which for the United States alone probably amount to not less than \$50,000,000 in the aggregate to date. This policy of voluntary concessions has become an integral factor in the development of the business and it virtually appertains to the liberalizing of every policy feature whether involving financial considerations or not. It must be obvious that it is largely because of this course of fairness and liberality that the Industrial companies have secured to themselves the universal regard and confidence of wage-earners, who, to an ever-increasing extent, are converting the system of Industrial insurance into a universal provident institution.

SOCIAL ASPECTS OF INDUSTRIAL INSURANCE

Where so much has been accomplished, it is safe to assume that more will be done in the future when the business shall rest upon a still larger basis of actual experience and when the insistent efforts of active

solicitors will no longer be required to the extent and under the trying conditions common to the earlier period in the history of the business. As will be shown, the expense rate has been gradually diminished and there has been a corresponding decrease in the lapse rate, and a marked improvement in the revival rate, so that the economics of efficient management are amply established by actual experience. Every improvement in this direction widens the sphere of usefulness, and while the chief aim in a business of this kind should be to reduce the cost of the commodity sold to the public, it will, no doubt, be possible, in course of time, to add other features more or less germane to the contract of Industrial insurance. How far such improvements are possible, or advisable, must, for the present, remain a mere matter of conjecture. Considering the vast number of policyholders, it must be clear that the companies cannot undertake doubtful experimental work, but must needs proceed only along lines which warrant at the outset the assumption that improvements, additions or alterations in the plan of Industrial insurance are not likely to be changed, or subsequently to be done away with. In other words, it would be the height of folly to encourage a belief on the part of the vast multitude of policyholders that Industrial insurance can do much more than what the contract provides, since it is exactly in the unconditional fulfillment of its contractual obligations that the companies rest their chief claim for public confidence, and public faith in the security of an Industrial policy as being equivalent in intrinsic value to a government bond. At the same time, the spirit of the age is decidedly suggestive of a broadening of the insurance function, and throughout civilized countries the theory of insurance is being applied to an increasing extent to the successful solution of a number of social problems affecting the welfare of millions of mankind. The adoption of compulsory plans of insurance by European continental nations, and the proposed national insurance plan of England,

emphasize the importance of further progress in Industrial Insurance, so that a system well adapted to the needs of the public when it was first established may be successfully readapted to changing economic and social conditions, most of all in a country like the United States, where the possibility of social reform through legislation is perhaps the most general conviction of a people accustomed to freedom of action under a representative form of government.

REDUCTION IN THE EXPENSE RATE

But much progress has been made in recent years, and in no direction has this been more marked than in the gradual reduction of the *expense rate*, with the practical certainty of a still further reduction in the future. Of course, a limit must be reached beyond which a curtailment of expenses would mean perhaps a serious restriction in the further development of the business, with resulting loss to the companies in the long run. Combining the largest two Industrial companies, the ratio of expenses to total income has been reduced from 47.1% in 1900 to 43.2% in 1905 and 38.8% in 1910. Even a very slight reduction in the expense rate is equivalent to the saving of relatively large sums of money, which of course, revert to the benefit of the policyholders and largely in the form of voluntary financial concessions. If, for illustration, the expense rate in 1910 had been the same as ten years before for the largest two Industrial companies, the actual amount paid on this account would have been \$7,430,767 greater than was really the case. Realizing the great practical importance of reducing the cost of transacting the business, it may safely be asserted that nothing is left undone on the part of the companies to make the conduct of the business as economical as possible, and their financial history of the last ten years abundantly proves that this viewpoint prevails in the administration of at least the principal companies which transact this form of insurance.

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REDUCTION IN THE LAPSE RATE

Of almost equal importance to a reduction in the expense rate is the greatest possible reduction in the *lapse rate*. Here also a point may be reached where the progress of the business would be seriously imperiled by needless restrictions, since a considerable number and proportion of Industrial lapses do not represent a material financial loss to the insured. While in Ordinary insurance only the paid-for business is reported to most of the Insurance Departments, in Industrial insurance all policies issued are reported, and considering the magnitude of the business the resulting data are often decidedly misleading—that is to say, in the nature of the business a considerable amount of new Industrial insurance is written but not actually paid for, except, perhaps, to the extent of a single weekly premium, which may be as low as three cents and which will average about ten cents. The companies allow four weeks' grace, so that the insured has had a reasonable amount of insurance protection in return for his payment, and in actual practice on account of necessary office methods the lapsed policy will rarely be in force on the books of the company for less than six weeks.

THE LAPSE QUESTION

Most of the lapses do not represent a material financial loss to the insured, but, on the contrary, constitute a serious question to the Industrial companies, which have left nothing undone that ingenuity could suggest or that stringent rules and regulations could control, to diminish the issue of business likely to lapse to the lowest possible minimum. Aside from this class of policies of short duration there is, of course, a fair amount of business which lapses after a variable duration of from six weeks to three years, subsequent to which the policies have a paid-up value, which returns to the policyholders the equivalent of the reserve accumulations. When the lapses are calculated upon

the total in force, it appears that while in 1900 the percentage of the total Industrial policies in force terminated by lapse was 21.4, the corresponding percentage for 1905 was 17.2, and for 1910, 13.5. It, therefore, requires no further argument to sustain the conclusion that in this direction also the American Industrial companies have made substantial progress during the last decade.

The Industrial agent is usually paid a commission of fifteen times, or more, of the new premiums secured. That is, for every 10 cents premium, for illustration, the agent is paid at least \$1.50 in cash, generally termed "Special Salary." If policies lapse while the agent remains in the service, he has to replace the net decrease in weekly premiums by an equivalent amount of weekly premiums. This, of course, is necessary to protect the companies and their policyholders against wrongful practices. If however, lapses occur on the debits of agents who have left the service, there is a net loss, not only in the amount of special salary paid, but the expenses of medical examination, Home Office accounting, and other clerical charges. The insured has had the benefit of insurance protection for the time the policy was in force, and it is not at all unusual for claims to occur under policies of even very short duration. The companies grant four weeks' grace in the payment of premiums, during which the policy continues in force. For these and many other reasons, lapses during the early years of policy duration are a considerable financial loss to Industrial companies, and everything possible is done to prevent them.

IMPROVEMENT IN THE REVIVAL RATE

In marked contrast to a diminished lapse rate, there has been a gradual increase in the revival rate—that is to say, not only has there been a lesser amount of unstable business issued, but there has been a corresponding saving in business lapsed but reinstated,

practically without expense to the insured. Even in cases where a medical examination is required, the expense of the same is paid for by the company. The data are not available for the principal Industrial companies as to revivals during 1910, but in the case of the Prudential, 288,614 Industrial policies were revived during that year, or 20.9% of the total number lapsed, excluding deaths and matured endowments. Revivals, of course, are chiefly of value in the case of policies which have been in force for a number of years and which have accumulated paid-up or surrender values. Here also everything possible is done on the part of the companies to encourage the agents to revive lapsed policies, and the assistant superintendents are specifically instructed to urge upon lapsed policyholders the advisability of reviving their contracts in view of the fact that on account of increasing age there is an increasing cost of insurance, which makes it particularly desirable to reinstate contracts in force for a number of years and lapsed through inadvertence or because of temporary inability to pay. The companies go still further than this and permit the insured, under certain conditions, to revive policies by means of a lien which makes it unnecessary to pay the premium in arrears in cash. Neither in Ordinary insurance, nor in the case of fraternal societies, are the conditions of reinstatement as liberal as in Industrial insurance, and it is probably safe to say that the proportion of reinstatements is much larger in the latter than in the former, although exact data are not available to substantiate this conclusion.

THE INSURANCE OF CHILDREN

It seems hardly necessary to even refer to the formerly much-debated question as to the possibilities of abuse in connection with the *insurance of children*. During the nearly forty years of continuous experience not a single case of serious abuse has been established by a

jury verdict, and the occasional allegations of child murder or child neglect have, upon careful inquiry, been found to be without substantial support. In the actual experience of the large Industrial companies the mortality of insured children has been invariably below the mortality of the general population of corresponding ages, and the limitation of amounts as governed by the companies' practice and statutory requirements absolutely precludes speculation for gain. The earlier opposition to the insurance of children may, therefore, be said to have practically passed away, and within recent years there have been only a few sporadic attempts at adverse legislation, with a very remote possibility of the enactment of drastic laws. While a law prohibiting the insurance of children was enacted in Colorado in 1893, no other state has followed this example, and it is sincerely to be hoped that in course of time the Colorado law will be repealed, as an unjust reflection upon the people of that state, who are needlessly curtailed in their freedom of contract in this matter, in marked contrast to the freedom of action permitted, not only in all of the other American states, but practically throughout the entire civilized world, wherever Industrial Insurance is carried on to a considerable extent.

Within recent years special efforts have been made to popularize endowment insurance on the lives of children, and increasing amounts of such insurance are being written by all the large Industrial companies throughout the world. The tendency in this direction is conclusive evidence of increasing parental foresight and prudence in matters of insurance and proves that the underlying motives in the insurance of children are not those of sordid selfishness.

THE SOCIAL VALUE OF INDUSTRIAL INSURANCE.

It is rather difficult to establish, by means of statistics, the direct relation of Industrial insurance to public

welfare, particularly in the direction of diminishing public dependence in the event of death. Even the returns of pauper burials throughout the United States do not furnish a conclusive answer to the question, since pauper interments include a considerable proportion of children under the age of one, of persons found dead and not identified, of strangers dying in city hospitals, with no opportunities for the claiming of the bodies by relatives, etc. Anyone, however, familiar with actual conditions during the seventies and the interval of years to the present day, will confirm the statement that the public demand for pauper burials is decidedly less to-day than in the past, and to a certain extent this claim can be established by trustworthy data. While forty years ago the pauper burial rate in American cities for which the information is available was 23.7 per 10,000 of population, the rate had fallen to 15.5 by 1891-1895 and finally to 10.4 during the five years ending with 1910. If the pauper burial rate of the five years preceding the introduction of Industrial insurance prevailed at the present time, it is estimated that there would have been, in cities of 25,000 or more population, 37,915 more persons buried at public expense during 1910 than was actually the case. It is quite probable that the pauper burial rate has been increased within recent years by the large foreign immigration, but this fact aside, there has been an actual and fairly persistent decline in the pauper burial rate since Industrial insurance was established in the United States in 1875. From every point of view, this result must be considered a most desirable improvement in the social and economic condition of the American people, and it is safe to say that the achievement would have been impossible without Industrial insurance, which primarily aims at the making of a provision for the payment of a sum sufficient for burial expenses and the last medical attendance in the event of death.

Industrial Insurance—Past and Present

PAYMENTS TO POLICYHOLDERS.

The social and economic value of Industrial insurance is only in part measured by the financial returns to policyholders, which, during 1910, reached \$45,000,000. As yet the business is largely in its beginnings, but slowly the average duration of insurance is increasing, followed by a corresponding rise in the proportion of returns to policyholders of premium or total income. Aside from the direct benefits of Industrial insurance, however, there are indirect results—social, moral and financial—which are well deserving of the careful consideration of the earnest student of modern thrift institutions. There can be no question of doubt but that through this form of insurance savings habits have been widely fostered among a class of people not reached as effectively by any other thrift-teaching agency, and that every form of savings has been aided by the development of systematic habits of saving through Industrial insurance. The accumulated reserves of the Industrial companies constitute a vast fund of securities of the highest character, and through this fund millions of citizens are directly interested in the conservation of property and the maintenance of public order, while through their tax payments the companies, on behalf of their policyholders, contribute directly and to a not inconsiderable extent to the revenues of the States and the Federal Government.

SOCIAL ASPECTS OF INSURANCE

“Insurance,” it has been well said by Mr. Thomas Mackay, the distinguished author of a treatise on “The English Poor,” “is, for many reasons, more important to the working class than any other form of savings. Insurance enables the claims of the future to become definite and to rank among the claims of the present, and to the poor man this is an enormous advantage.” What is true of all insurance is particularly

true of Industrial insurance, and it is not a matter to be lightly considered that some 18,000,000 wage-earners and their dependents, of the American nation should, within a single generation, have attained to so enviable a position of economic independence with regard to one of the fundamental social needs of modern life—that is, an adequate and certain provision of a sum sufficient to meet the expenses of burial and last illness. Social reformers are often impatient of results, but in the case of Industrial insurance the achievements referred to conclusively prove that, if given the opportunity, the mass of the people will solve their own economic problems in their own way, at their own cost, and in their own time. In an age in which it is often erroneously assumed that legislation alone offers the solution of the existing problems of poverty and discontent, it is, to say the least, profoundly suggestive of the unrealized possibilities of the doctrine of *self-help* to find that, in response to the active and intelligent solicitation of the Industrial agency force, wage-earners in the United States have already provided to the extent of \$2,926,288,000 of Industrial insurance, the required amount of family protection, on the only plan which has thus far been found practicable and generally successful. It may, therefore, safely be predicted that a still more marvelous development and still greater achievements will be realized in the future, upon the basis of a foundation resting in the confidence of the people and sustained by an entire generation of actual experience, which ever has been and ever will be the best guide in the affairs of men.



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